

Message Text

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ACTION EB-08

INFO OCT-01 IO-13 ISO-00 L-03 FRB-03 OMB-01 ITC-01

SP-02 ICA-11 AGRE-00 AID-05 CIAE-00 COME-00

INR-10 LAB-04 NSAE-00 OIC-02 SIL-01 STR-07

TRSE-00 CEA-01 SS-15 AF-10 ARA-10 EA-10 EUR-12

NEA-10 ABF-01 /141 W

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FM USMISSION GENEVA

TO SECSTATE WASHDC 8698

C O N F I D E N T I A L SECTION 01 OF 02 GENEVA 06052

C O R R E C T E D C O P Y (MISSING TEXT)

C O R R E C T E D C O P Y

E.O. 11652: GDS

TAGS: UNCTAD

SUBJECT: UNCTAD SECRETARIAT THINKING ON RESOLVING THE
COMMON FUND IMPASSE

SUMMARY: FORWARD THINKING BY THE UNCTAD SECRETARIAT ON A
POSSIBLE WAY OUT OF THE COMMON FUND IMPASSE WAS REVIEWED
CONFIDENTIALLY WITH DCM SORENSON AT SUGGESTION OF DR.
COREA BY LAKDASA HULUGALLE, SENIOR OFFICER, SPECIAL PRO-
JECTS, COMMODITY DIVISION, WHO HAS BEEN DOING MUCH OF THE
BACKGROUND ANALYSIS. END SUMMARY

1. IT HAS BEEN CLEAR SINCE COREA'S RETURN FROM WASHINGTON
THAT HE WAS ENORMOUSLY GRATIFIED WITH THE RECEPTION GIVEN
AND BY THE COURTESIES EXTENDED. HE FELT THAT EVERY OPPOR-
TUNITY WAS GIVEN HIM TO MAKE HIS CASE. CONVERSELY, HE
CAME AWAY WITH A MUCH MORE PROFOUND UNDERSTANDING OF THE
CONSTRAINTS ON AMERICAN POLICY THAN HE HAD PREVIOUSLY HAD.
THE SUBSEQUENT ROUND OF INFORMAL DISCUSSIONS IN GENEVA ON
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THE FRINGES OF THE UNCTAD MINISTERIAL WAS ESPECIALLY HELP-
FUL TO HIM IN CONSOLIDATING HIS THINKING.

2. HULUGALLE SAID THAT, SINCE THE WASHINGTON VISIT, COREA
HAD BEEN ESPECIALLY CONCERNED TO FIND A FORMULA WHICH
WOULD BE ACCEPTABLE TO THE UNITED STATES -- WHICH IS TO
SAY SALEABLE TO CONGRESS -- BUT WHICH WOULD, AT THE SAME

TIME, MEET THE NEEDS OF THE G-77. BASED UPON THE POSITIVE STATEMENTS THAT PRESIDENT CARTER HAS RECENTLY MADE WITH RESPECT TO THE ASPIRATIONS OF THE DEVELOPING WORLD, COREA BELIEVES SUCH A FORMULA WOULD BE WELCOME IN WASHINGTON.

3. THE COMPROMISE ON THE SECOND WINDOW THAT THE SECRETARIAT HAS BEEN THINKING ABOUT IS THAT IT SHOULD HAVE TWO PARTS. THE FIRST PART, TO WHICH ALL COMMON FUND MEMBERS WOULD CONTRIBUTE, WOULD BE STRICTLY LIMITED TO MAKING LOANS ON COMMERCIAL TERMS TO RECOGNIZED ICAS FOR OTHER MEASURES NOT NOW COVERED BY EXISTING IFIS. THE SECOND PART WOULD CONSIST OF VOLUNTARY FUNDS THAT WOULD BE MADE AVAILABLE ON CONCESSIONARY TERMS. WHEN QUESTIONED, HULUGALLE RECOGNIZED THAT THE RANGE OF OTHER MEASURES IN SUCH A SCHEME WOULD HAVE TO BE TIGHTLY DESIGNED SO THAT THE ADMINISTRATION, IN PRESENTING IT TO CONGRESS, COULD ASSERT ABSOLUTELY THAT OUR CONTRIBUTIONS TO THE FIRST PART OF THE SECOND WINDOW WERE STRICTLY IN RESPONSE TO RECOGNIZED AND LEGITIMATE NEEDS NOT BEING PRESENTLY MET BY EXISTING INSTITUTIONS. (HULUGALLE, IN RESPONSE TO OUR PROBING, PROBABLY WENT FARTHER THAN HE WOULD HAVE LIKED IN DISCLOSING THE DETAILS OF THE SECRETARIAT PLANS. HE SHOULD BE PROTECTED AS THE SOURCE OF THIS INFO).

4. IN TERMS OF TIMING, COREA APPARENTLY IS THINKING OF VETTING SOMETHING ALONG THE FOREGOING LINES AT THE NEXT
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INFORMAL MEETING OF KEY DC AND LDC OFFICIALS WHICH HE IS TRYING TO ARRANGE IN MAY. THE THINKING IS THAT, IF COREA COULD RECEIVE SOME ASSURANCES AT THAT TIME THAT THIS DID INDEED REPRESENT AN ACCEPTABLE SOLUTION, A MEETING OF AN AD HOC WORKING GROUP COULD THEN BE SET UP SOMETIME IN JUNE WHERE THE IDEA WOULD BE GIVEN WIDER CURRENCY WITH A NEGOTIATING CONFERENCE TO BE SET UP IN JULY TO GIVE ITS IMPRIMATUR. SORENSON SUGGESTED THAT, EVEN IF THE COREA FORMULA WERE ULTIMATELY ACCEPTABLE, THE SCHEDULE OF NEGOTIATIONS APPEARED EXTRAORDINARILY AMBITIOUS. HULUGALLE REPLIED THAT COREA BELIEVED THIS SCHEDULE HAD CERTAIN MERITS OF CONSIDERABLE IMPORTANCE TO THE INDUSTRIALIZED COUNTRIES BECAUSE THE SUCCESSFUL CONCLUSION OF A NEGOTIATING CONFERENCE COULD THEN BE STAGED TO COINCIDE WITH THE WESTERN ECONOMIC SUMMIT IN MID-JULY. THIS WOULD ALLOW WESTERN MINISTERS TO CAP THEIR POLICY TOWARD THE DEVELOPING WORLD IN AN EXCEPTIONALLY POSITIVE WAY. THERE HAVE BEEN SEVERAL INDICATIONS--SUCH AS THE RECENT COMMUNIQUE FROM THE COMMONWEALTH MEETING IN LONDON--THAT THE INDUSTRIALIZED COUNTRIES ARE MOVING TOWARD ACCEPTING A SECOND WINDOW. THE URGENT REQUIREMENT NOW IS TO FIND A FORMULA WHICH WILL ALLOW THE UNITED STATES TO PLAY ITS PROPER ROLE AS LEADER OF THE INDUSTRIALIZED WORLD

BY JOINING IN THE PROCESS.

5. SORENSON ASKED WHETHER, FROM THE POINT OF VIEW OF COREA AND THE SECRETARIAT, IT WOULD NOT BE BETTER TO PACE THE OUTCOME OF THESE DISCUSSIONS SO THAT THEY CULMINATED AT UNCTAD V. THIS WOULD GIVE FOCUS AND MEANING TO UNCTAD V AND WOULD ALLOW FOR A POSITIVE OUTCOME WHICH EVERYONE SHOULD NOW BE CONCERNED ABOUT. HULUGALLE SAID THAT, EVEN IF THE NEGOTIATING CONFERENCE COULD BE CALLED FOR JULY TO PUT ITS STAMP OF APPROVAL ON THE BROAD OUTLINES OF A COMMON FUND AGREEMENT, IT WOULD TAKE SEVERAL MONTHS TO ORGANIZE THE MECHANISM AND PUT IT IN PLACE. THIS COULD BE THE POSITIVE ACHIEVEMENT OF UNCTAD V. HE ARGUED AS WELL THAT AN AGREEMENT WAS URGENTLY NEEDED IN ORDER TO GIVE IMPETUS TO NEGOTIATIONS PRESENTLY
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TAKING PLACE IN THE INDIVIDUAL ICAS. COREA'S PRESENT THINKING IS TO AVOID AN ISSUES-ORIENTED MEETING AT UNCTAD V.

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ACTION EB-08

INFO OCT-01 IO-13 L-03 FRB-03 OMB-01 ITC-01 SP-02
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C O N F I D E N T I A L SECTION 02 OF 02 GENEVA 06052

C O R R E C T E D C O P Y (MISSING TEXT)

HIS INCLINATION WOULD BE TO DEVOTE THE MEETING TO TAKING STOCK AND TRYING TO ASSESS WHERE THE WORLD MIGHT BE GOING

IN THE DECADE OF THE 80S. UNDER PRESSURE, HULUGALLE ADMITTED, HOWEVER' THAT THERE WERE A NUMBER OF PEOPLE IN THE SECRETARIAT, INCLUDING HIMSELF. WHO WERE URGING COREA TO RECONSIDER THIS APPROACH AND COME UP WITH A NEW INITIATIVE FOR UNCTAD V. THERE CAN BE NO DOUBT THAT, IF THE COMMON FUND NEGOTIATIONS CAN BE SUCCESSFULLY CONCLUDED WELL IN ADVANCE OF UNCTAD V, PRESSURE FROM THE UNCTAD SECRETARIAT TO DEVELOP A NEW INITIATIVE WILL SUBSTANTIALLY INCREASE.

6. MISSION ASSESSMENT OF US POSITION ON COMMON FUND AND IN INDIVIDUAL COMMODITY MEETINGS WILL FOLLOW IN A FEW DAYS.
VANDEN HEUVEL

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